

MOTION BY SUPERVISOR MICHAEL D. ANTONOVICH     SEPTEMBER 29, 2009  
AND SUPERVISOR GLORIA MOLINA

Private-sector businesses located in unincorporated communities are subject to County zoning and business license requirements. For reasons that are not entirely clear, the City of Los Angeles has been issuing business tax licenses and police alarm permits to some of these businesses. This practice has occurred in various unincorporated communities, including Charter Oak, East Los Angeles, Hacienda Heights, and Quartz Hill.

Upon discovery of this issue, the County Counsel's office asked the Treasurer and Tax Collector and Auditor-Controller to conduct a review. Departmental staff conducted field inspections and interviews at a sample of businesses located in areas of East Los Angeles, particularly commercial corridors along Cesar Chavez and Whittier Boulevards and Florence Avenue. Investigators found that approximately 15% of the businesses surveyed, all of which are sited wholly outside the City's jurisdiction, had current City of Los Angeles business tax licenses or other permits.

Investigators subsequently identified businesses in unincorporated areas in Universal City, Sunland/Tujunga, and Quartz Hill that were also improperly paying City business license fees and/or taxes.

It should be noted that the City of Los Angeles licenses many classes of businesses that the County does not. The City of Los Angeles also collects taxes on the gross receipts of certain businesses, which the County does not collect.

In an effort to resolve the business licensure issue informally, staff of the Auditor-Controller's office contacted the Los Angeles City Controller's office. Since the time of the original contact, however, the problem seems to have become more pervasive.

It is entirely clear that a regulatory agency in one jurisdiction should not license—nor tax—the owners of businesses in another jurisdiction. This practice subjects business-owners in unincorporated areas to fees and taxes they are not obligated to pay. Measures need to be taken to ensure that the County's business communities are not unnecessarily burdened by the City's tax system.

MOTION

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**WE, THEREFORE, MOVE** that the Board of Supervisors direct the Chief Executive Officer to:

- Prepare a five-signature letter to the Mayor, City Council and the City Controller of the City of Los Angeles, with copies to the City Clerk, requesting that:

(1) the City cease pursuing the licensure and taxation of businesses located in unincorporated communities, or related enforcement action, until controls are put in place to ensure that such licensure is appropriate and lawful, and that businesses are being appropriately screened for proper jurisdiction; (2) the Office of the Controller conduct an audit of the Department of Finance's Business License Office, with specific emphasis on the adequacy of existing procedures and controls for verifying that licensees are appropriately screened for jurisdiction, to ensure that appropriate guidelines are in place to prevent the improper issuance of licenses or related enforcement actions against businesses located outside City boundaries, and to review the mechanism by which third-party vendors are contracted to identify businesses for licensure and enforcement activity to ensure that appropriate controls and monitoring are in place, and; (3) the City's Department of Finance cooperate with the County Treasurer and Tax Collector and Auditor-Controller on the following two items:

- a) Convene a joint City/County workgroup to examine and document the process by which City License Office staff identifies the government agency with controlling jurisdiction for licensing and taxing businesses, and establish a formal mechanism for referring business owners to the appropriate jurisdiction;
  - b) Quantify the total number of County businesses impacted by extra-jurisdictional licensure and taxation by obtaining and reviewing City records of business tax licenses and police alarm permits issued to entities outside the physical boundaries of the City, including the addresses of these businesses, and a history of any fees, taxes and other revenue collected from them;
- Report back to this Board within 30 days of actions taken to ensure that County-located businesses are not subject to further City licensure, taxation or enforcement action.

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